

**REPORT OF THE AUDIT OF THE  
FORMER CLINTON COUNTY  
SHERIFF**

**For The Period  
January 1, 2004 Through September 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER CLINTON COUNTY SHERIFF**

**For The Period  
January 1, 2004 Through September 30, 2004**

The Auditor of Public Accounts has completed the former Clinton County Sheriff's audit for the period January 1, 2004 through September 30, 2004. Based upon the audit work performed, except for the effects of any matters that might have been disclosed if we had been provided management representations and legal representations and the adjustments that might have been made to the financial statement if we had been provided payroll records, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

There were no excess fees earned for the period January 1, 2004 through September 30, 2004. The former Sheriff had a deficit of \$82,332, which included excess of allowable expenditures over revenues of \$27,978.

#### **Liabilities**

As of September 30, 2004, the former Clinton County Sheriff's fee account had unpaid obligations of \$85,708 consisting of

- \$48,911 to U.S. Treasurer for federal tax withholdings and matching
- \$13,564 to Kentucky State Treasurer for state tax withholdings (\$6,681) and carrying concealed deadly weapon license (\$6,883)
- \$1,877 to Kentucky Law Enforcement Foundation Program Fund for overpayment of grant
- \$20,897 net amount due the tax account
- \$459 to other vendors

#### **Report Comments:**

- The Former Sheriff Should Not Have A Deficit Of \$82,332 In His Official Fee Account As Of September 30, 2004
- The Current Sheriff Should Deposit Money Received For Restitution In Escrow Account
- The Former Sheriff Should Not Have A Shortage In His Fee Account For The Period January 1, 2004 Through September 30, 2004
- The Former Sheriff Expended \$27,978 More To Operate His Office Than The Income Earned By The Office
- The Former Sheriff Should Pay Excess Fees Of \$45,585 To The County Treasurer For Calendar Years 2000, 2001, 2002, And 2003
- The Former Sheriff Should Have Properly Reported Wages And Withholdings
- The Former Sheriff's Office Should Have Submitted A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner
- The Former Sheriff's Office Should Have Withheld Health Insurance Premiums From Employees' Wages
- The Former Sheriff Should Have Prepared An Annual Settlement
- The Former Sheriff Should Have Obtained Reimbursement From State For Expenses In A Timely Manner
- The Former Sheriff Should Have Properly Remitted Carrying Concealed Deadly Weapon Permits

**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FORMER CLINTON COUNTY SHERIFF**  
**For The Period January 1, 2004 Through September 30, 2004**  
**(Continued)**

**Report Comments: (Continued)**

- The Former Sheriff Should Have Required Timesheets And Prepared Individual Earnings Records For All Employees
- The Former Sheriff Should Have Prepared And Submitted Quarterly Financial Reports To Kentucky Governor's Office For Local Development
- The Former Sheriff Should Have Issued Pre-numbered Receipts On All Revenues Received
- The Former Sheriff Should Have Obtained Proper Bonds
- The Former Sheriff's Office Lacked Adequate Segregation Of Duties
- The Former Sheriff Should Have Improved Internal Control Over Financial Reporting

**Litigation:**

- On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against former Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit sought to recover \$58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes. As of July 3, 2004, the former Sheriff had paid the following amounts included in the \$58,797: \$227 to the Kentucky State Treasurer and \$28,807 to the Clinton County Board of Education. In August 2004, this lawsuit was "settled by a compromise agreement reached among the parties. Under the terms of that agreement, former Sheriff Kay Riddle and one of his bonding companies, Great American Insurance Company, paid \$74,938 to the Clinton County Fiscal Court for itself and other specified taxing districts in Clinton County. The total figure included outstanding taxes from 1997 and 1998, plus interest and penalties on those amounts through August 31, 2004. The Fiscal Court also recovered certain court costs." The Clinton County Treasurer has properly distributed the settlement proceeds to the taxing districts.
- On December 11, 2000, legal counsel on behalf of former Clinton County Sheriff Kay Riddle filed a lawsuit in Clinton Circuit Court against the former Clinton County Judge/Executive in her official capacity. On January 6, 2003, the lawsuit transferred against the new Clinton County Judge/Executive in his official capacity. This lawsuit seeks to recover \$53,814 due from the Clinton County Fiscal Court per audit report for Clinton County Sheriff - Calendar Year 1999. These funds represent the Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. The suit's outcome cannot be predicted at this time.
- On November 5, 2004, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Clinton Circuit Court against former Clinton County Sheriff Kay Riddle and his bonding company, Ohio Casualty Insurance Company. This lawsuit seeks to recover \$78,951 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 2001 Taxes and Sheriff's Settlement - 2002 Taxes. In addition, this lawsuit seeks to recover \$42,403 owed the Clinton County Fiscal Court in excess fees per the audit report for Clinton County Sheriff For The Year Ended December 31, 2002. In April 2004, the former Sheriff paid the following amount included in the \$78,951: \$52,464 to the Clinton County Board of Education. The suit's outcome cannot be predicted at this time.

**EXECUTIVE SUMMARY  
AUDIT EXAMINATION OF THE  
FORMER CLINTON COUNTY SHERIFF  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)**

**Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities.

**Restitution:**

On February 22, 2005, Cynthia Moreland, former Sheriff's office manager, plead guilty to four counts of theft. The Clinton County Circuit Court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years. As of August 18, 2005, the Clinton Circuit Court Clerk has collected \$11,000 from Ms. Moreland on the court ordered restitution of \$45,159 and has paid this money over to the current Clinton County Sheriff, Ricky Riddle. \$14,066 of the restitution is for 2003 fee account and \$19,593 is for the fee account for the period January 1, 2004 through September 30, 2004.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS .....	5
NOTES TO FINANCIAL STATEMENT .....	7
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS .....	15
COMMENTS AND RECOMMENDATIONS .....	19
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	31







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Donnie McWhorter, Clinton County Judge/Executive  
Honorable Kay Riddle, Former Clinton County Sheriff  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former County Sheriff of Clinton County, Kentucky, for the period January 1, 2004 through September 30, 2004. This financial statement is the responsibility of the former County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The former Clinton County Sheriff, Kay Riddle, did not return management representations to us. In addition, the former Sheriff's legal counsel did not provide us with a legal representation letter. Management representations and legal representations are required by auditing standards generally accepted in the United States of America. The former Sheriff's office did not provide us with individual earnings records or copies of some payroll reports. Therefore, payroll expenditures have been estimated using available information.



The Honorable Donnie McWhorter, County Judge/Executive  
Honorable Kay Riddle, Former Clinton County Sheriff  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

In our opinion, except for the effects of any matters that might have been disclosed if we had been provided management and legal representation letters and the adjustments that might have been made to the financial statement if we had been provided payroll records, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former County Sheriff for the period January 1, 2004 through September 30, 2004, in conformity with the regulatory basis of accounting.

The \$82,332 deficit as of September 30, 2004, includes \$76,013 of receivables that are due from fiscal court. The former Sheriff has filed a lawsuit to recover \$53,814 of these receivables from the Clinton County Fiscal Court based on our 1999 audit report. These funds represent Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. Since this lawsuit is still in the discovery stages, no possible outcome can be predicted at this time. The deficit reported above will increase if the former Sheriff loses any part of this lawsuit.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, except for the effects of any matters that might have been disclosed if we had been provided management and legal representations and the adjustments that might have been made to the financial statement if we had been provided payroll records, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005, on our consideration of the former Clinton County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Former Sheriff Should Not Have A Deficit Of \$82,332 In His Official Fee Account As Of September 30, 2004
- The Current Sheriff Should Deposit Money Received For Restitution In Escrow Account
- The Former Sheriff Should Not Have A Shortage In His Fee Account For The Period January 1, 2004 Through September 30, 2004
- The Former Sheriff Expended \$27,978 More To Operate His Office Than The Income Earned By The Office
- The Former Sheriff Should Pay Excess Fees Of \$45,585 To The County Treasurer For Calendar Years 2000, 2001, 2002 And 2003
- The Former Sheriff Should Have Properly Reported Wages And Withholdings
- The Former Sheriff's Office Should Have Submitted A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner
- The Former Sheriff's Office Should Have Withheld Health Insurance Premiums From Employees' Wages

The Honorable Donnie McWhorter, County Judge/Executive  
Honorable Kay Riddle, Former Clinton County Sheriff  
Honorable Ricky Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

- The Former Sheriff Should Have Prepared An Annual Settlement
- The Former Sheriff Should Have Obtained Reimbursement From State For Expenses In A Timely Manner
- The Former Sheriff Should Have Properly Remitted Carrying Concealed Deadly Weapon Permits
- The Former Sheriff Should Have Required Timesheets And Prepared Individual Earnings Records For All Employees
- The Former Sheriff Should Have Prepared And Submitted Quarterly Financial Reports To Kentucky Governor's Office For Local Development
- The Former Sheriff Should Have Issued Pre-numbered Receipts On All Revenues Received
- The Former Sheriff Should Have Obtained Proper Bonds
- The Former Sheriff's Office Lacked Adequate Segregation Of Duties
- The Former Sheriff Should Have Improved Internal Control Over Financial Reporting

This report is intended solely for the information and use of the former County Sheriff and Fiscal Court of Clinton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 18, 2005



CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2004 Through September 30, 2004

Revenues

Federal Fees For Service	\$	8,671	
State - Kentucky Law Enforcement Foundation Program Fund			6,392
State Fees For Services:			
Reimbursement for Sequestered Jury	\$	932	
Security Services		8,216	
Fee Claims		4,045	
Patient Transportation		473	13,666
Circuit Court Clerk:			
Fines and Fees Collected	\$	530	
Court Ordered Payments		500	1,030
Fiscal Court:			
Contribution	\$	6,200	
Election Commissioner		350	
Employer's Share of FICA		5,500	12,050
County Clerk - Delinquent Taxes			1,006
Commission On Taxes Collected			11,179
Fees Collected For Services:			
Advertising Fees	\$	2,035	
Accident/Police Reports		80	
Auto Inspections		3,700	
Carrying Concealed Deadly Weapon Permits		2,280	
Court Costs For Fiscal Court		3,815	
Miscellaneous Fees Collected		225	
Serving Papers		7,630	
Serving Papers - Other Counties		412	
Sheriff's Add-On Fees - 10% of Tax and Penalty		11,596	
Transporting Mental Patients		1,927	33,700
Other:			
Miscellaneous			261
Interest Earned			20
Total Revenues	\$		87,975

The accompanying notes are an integral part of the financial statement.

CLINTON COUNTY  
 KAY RIDDLE, FORMER COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2004 Through September 30, 2004  
 (Continued)

Expenditures

Operating Expenditures:

Payments to State-		
Carry Concealed Deadly Weapon License Fees	\$	1,480
Personnel Services-		
Deputies' Salaries		103,627
Part-Time Salaries		8,508
Additional Assessment By Internal Revenue Service		1,207
Additional Assessment By Kentucky Department of Revenue		4,535
Employee Benefits-		
Employer's Share Social Security		5,500
Employer's Share Retirement		4,465
Employer Paid Employee's Portion Of Health Insurance		880
Materials and Supplies-		
Film Development		49
Office Materials and Supplies		1,842
Uniforms		144
Auto Expense-		
Gasoline		7,297
Maintenance and Repairs		1,266
Other Charges-		
Bank Service Charges		167
Bond		51
Conventions and Travel		149
Court Costs To Fiscal Court		3,815
Miscellaneous		324
Penalties and Interest		23
Postage		64
Sequestered Jurors		687
Total Expenditures	\$	146,080
Less: Disallowed Expenditures		
Not Beneficial To Public	\$	5,765
Personal Expenditures		23,482
Employer Paid Employee's Portion Of Health Insurance		880
		<u>30,127</u>
Total Allowable Expenditures	\$	<u>115,953</u>
Excess of Allowable Expenditures Over Revenues	\$	<u>(27,978)</u>

The former Sheriff, Kay Riddle, received his salary of \$45,212 directly from the Clinton County Fiscal Court for this time period.

The accompanying notes are an integral part of the financial statement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

September 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at September 30 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for services provided from January 1, 2004 through September 30, 2004
- Reimbursements for January 1, 2004 through September 30, 2004 activities
- Tax commissions due from September tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided from January 1, 2004 through September 30, 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule. The schedule indicates the cumulative effect of prior year deficits.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
September 30, 2004  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months of the period and 8.48 percent for the last three months of the period.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of September 30, 2004, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the former Sheriff's agent in the former Sheriff's name.



CLINTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 September 30, 2004  
 (Continued)

Note 4. Drug Eradication Fund

The former Sheriff's office maintained a Drug Eradication Fund. Receipts for this fund are from court ordered payments related to drug cases. These funds are reserved for law enforcement involving drug eradication purposes only and are not available for excess fee purposes. As of January 1, 2004, the Drug Eradication Fund had a beginning balance of \$0. During the period January 1, 2004 through September 30, 2004, this fund had receipts of \$100 and no disbursements. As of September 30, 2004, the drug eradication fund balance was \$100. On October 10, 2004, the drug eradication fund balance of \$100 was transferred to the incoming Sheriff Ricky Riddle.

Note 5. Receivables

The former Clinton County Sheriff is due a receivable of \$76,013 from the Clinton County Fiscal Court.

During calendar year 1999, the Sheriff's office fee account did not earn enough money to fund \$42,481 of the Sheriff's salary. KRS 64.535 states that "[t]he . . . sheriff shall . . . receive a monthly salary of one-twelfth (1/12) of the amount indicated by the salary schedule in KRS 64.5275." This statute mandates that the Sheriff is entitled to receive his statutory maximum salary, even if his office fails to generate sufficient fees and other revenues to cover all allowable expenses of his office, including the expense of the sheriff's maximum salary as set out in the salary schedule in KRS 64.5275. Thus, because the Sheriff's office had a revenue shortfall for calendar year 1999 and was unable to pay all allowable expenses for calendar year 1999, out of fees and other revenues generated by his office, it is the responsibility of the fiscal court to provide funding for the former Sheriff's 1999 statutory maximum salary.

In addition, the former Sheriff is due a refund of \$33,532 from the fiscal court for the following:

Employer's Share of FICA -	
1998 Fees	\$ 8,335
1999 Fees	10,682
2003 Fees	6,654
1/1/2004 Through 9/30/2004 Fees	5,500
Unemployment Insurance-	
1998 Fees	586
1999 Fees	651
Overpayment of Employer's Share of	
Retirement - 1999 Fees	1,124
	<hr/>
Total	\$ 33,532
	<hr/>

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
September 30, 2004  
(Continued)

Note 6. Litigation

- A. On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against former Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit sought to recover \$58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes. However, as of July 3, 2004, the former Sheriff had paid the following amounts included in the \$58,797: \$227 to the Kentucky State Treasurer and \$28,807 to the Clinton County Board of Education. In August 2004, this lawsuit was "settled by a compromise agreement reached among the parties. Under the terms of that agreement, Kay Riddle and one of his bonding companies, Great American Insurance Company, paid \$74,938 to the Clinton County Fiscal Court for itself and other specified taxing districts in Clinton County. The total figure included outstanding taxes from 1997 and 1998, plus interest and penalties on those amounts through August 31, 2004. The Fiscal Court also recovered certain court costs." The Clinton County Treasurer has properly distributed the settlement proceeds to the taxing districts.
- B. On December 11, 2000, legal counsel on behalf of former Clinton County Sheriff Kay Riddle filed a lawsuit in Clinton Circuit Court against the former Clinton County Judge/Executive in her official capacity. On January 6, 2003, the lawsuit transferred against the new Clinton County Judge/Executive in his official capacity. This lawsuit seeks to recover \$53,814 due from the Clinton County Fiscal Court per audit report for Clinton County Sheriff - Calendar Year 1999. These funds represent Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. The suit's outcome cannot be predicted at this time.
- C. On November 5, 2004, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Clinton Circuit Court against former Clinton County Sheriff Kay Riddle and his bonding company, Ohio Casualty Insurance Company. This lawsuit seeks to recover \$78,951 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 2001 Taxes and Sheriff's Settlement - 2002 Taxes. In addition, this lawsuit seeks to recover \$42,403 owed the Clinton County Fiscal Court in excess fees per the audit report for Clinton County Sheriff For The Year Ended December 31, 2002. However, in April 2004, the former Sheriff paid the following amount included in the \$78,951: \$52,464 to the Clinton County Board of Education. The suit's outcome cannot be predicted at this time.

CLINTON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 September 30, 2004  
 (Continued)

Note 7. Explanation of September 30, 2004 Deficit

The \$82,332 deficit as of September 30, 2004 resulted from the following transactions:

Prior Year Deficit	\$ (23,522)
Disallowed Disbursements:	
Additional Assessment Due To Failure To File Reports	(5,742)
Occupational Tax Penalties and Interest	(23)
Employer Paid Employee's Portion Of Health Insurance	(880)
Former Deputy Sheriff's Excess Salary Payments	(23,482)
Excess of Allowable Expenditures Over Revenues	(27,978)
Undeposited Receipts	<u>(705)</u>
Cumulative Deficit as of September 30, 2004	<u>\$ (82,332)</u>

Note 8. Restitution

During the 2003 tax collection period, the former Sheriff notified the Kentucky State Auditor's Office that a theft had occurred in his tax account. The Kentucky State Police conducted an investigation of this matter resulting in the prosecution of Cynthia Moreland, former office manager of Clinton County Sheriff's office, for four counts of theft by unlawful taking or disposition over \$300 in the amount of \$14,066 for the 2003 fee account, \$19,593 for the January 1, 2004 through September 30, 2004 fee account, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections. On February 22, 2005, Cynthia Moreland pled guilty to these charges. The Clinton County Circuit Court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years.

As of August 18, 2005, the Clinton Circuit Court Clerk had collected \$11,000 from Ms. Moreland on the court ordered restitution of \$45,159 and had paid this money over to the current Clinton County Sheriff, Ricky Riddle. When sufficient money has been collected, \$14,066 of the money should be used to pay the former Sheriff's liabilities for calendar year 2003 and \$19,593 of the money should be used to pay the former Sheriff's liabilities for the period of January 1, 2004 through September 30, 2004.

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SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS



CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

September 30, 2004

Assets

Cash in Bank	\$	1,057
Deposits in Transit		8,651
Collected Receivables		9,071
Uncollected Receivables:		
Net Amount Due From Clinton County Fiscal Court		3,438
		<hr/>
Total Assets	\$	22,217
		<hr/>

Liabilities

Paid Obligations:

Outstanding Checks	\$	7,155
Liabilities Paid After September 30		11,686

Unpaid Obligations:

U.S. Treasurer -		
Federal Withholdings & Matching	\$	48,911
Kentucky State Treasurer-		
State Withholdings	\$	6,681
Carrying Concealed Deadly		
Weapon License Fees	6,883	13,564
	<hr/>	
Kentucky Law Enforcement Foundation		
Program Fund- Overpayment of Grant		1,877
Net Amount Due Tax Account		20,897
Other Vendors-		
Law Enforcement Equipment	\$	119
Vehicle Maintenance and Repairs	340	459
	<hr/>	<hr/>

Total Unpaid Obligations	<hr/>	85,708
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Total Liabilities	\$	104,549
		<hr/>

Total Cumulative Fund Deficit as of September 30, 2004	\$	(82,332)
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Restitution Ordered By Court To Be Paid By Cynthia Moreland:

Calendar Year 2003	\$	14,066
For The Period January 1, 2004 Through September 30, 2004	19,593	33,659
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Total Fund Deficit as of September 30, 2004	<hr/>	\$ (48,673)
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## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2004 Through September 30, 2004

FEDERAL/STATE LAWS AND REGULATIONS:

- 1) The Former Sheriff Should Not Have A Deficit Of \$82,332 In His Official Fee Account As Of September 30, 2004

Based upon available records there was an \$82,332 deficit in the former Sheriff's official fee account as of September 30, 2004. The deficit increased \$58,810 from the prior year deficit of \$23,522. This deficit increase of \$58,810 resulted from undeposited receipts of \$705, expenditures that exceeded the income of the office by \$27,978, and disallowed expenditures of \$30,127. The disallowed expenditures consisted of \$5,742 of additional assessments due to failure to file payroll reports with the Internal Revenue Service and Kentucky Department of Revenue, \$23 of penalties and interest on employer's returns, \$880 of employer paid employee's portion of health insurance, and \$23,482 of excess salary payments to former deputy sheriff.

The computation of the deficit includes an assumption of the collection of \$76,013 of receivables that are due from the Fiscal Court. The former Sheriff has filed a lawsuit to recover \$53,814 of these receivables from the Clinton County Fiscal Court based on our 1999 audit report. These funds represent Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. Since this lawsuit is still in the discovery stages, no possible outcome can be predicted at this time. If the former Sheriff loses any part of this lawsuit, his deficit will increase.

Since Cynthia Moreland, former Clinton County Sheriff's office manager, has been ordered to pay restitution to the former Sheriff's official fee account for calendar year 2003 and for the period of January 1, 2004 through September 30, 2004 of \$33,659 related to the excess salary payments, we recommend that the former Sheriff eliminate the remaining deficit of \$48,673 with a deposit of personal funds.

*Former Sheriff's Response:*

*None.*

- 2) The Current Sheriff Should Deposit Money Received For Restitution In Escrow Account

During the 2003 tax collection period, the former Sheriff notified the Kentucky State Auditor's Office that a theft had occurred in his tax account. The Kentucky State Police conducted an investigation of this matter resulting in the prosecution of Cynthia Moreland, former office manager of Clinton County Sheriff's office, for four counts of theft by unlawful taking or disposition over \$300 in the amount of \$14,066 for the 2003 fee account, \$19,593 for the January 1, 2004 through September 30, 2004 fee account, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections. On February 22, 2005, Cynthia Moreland pled guilty to these charges. The Clinton County Circuit Court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years.

CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

2) The Current Sheriff Should Deposit Money Received For Restitution In Escrow Account  
(Continued)

As of August 18, 2005, the Clinton Circuit Court Clerk had collected \$11,000 from Ms. Moreland on the court ordered restitution of \$45,159 and had paid this money over to the current Clinton County Sheriff, Ricky Riddle. We recommend that the current Sheriff Ricky Riddle deposit this money into an escrow account until the money can be distributed. \$14,066 of the money should be used to pay the former Sheriff's liabilities for calendar year 2003 and \$19,593 of the money should be used to pay the former Sheriff's liabilities for the period of January 1, 2004 through September 30, 2004.

*Former Sheriff's Response:*

*None.*

3) The Former Sheriff Should Not Have A Shortage In His Fee Account For The Period  
January 1, 2004 Through September 30, 2004

KRS 522.050 states:

(1) A public servant who is entrusted with public money or property by reason of holding public office or employment, exercising the functions of a public officer or employee, or participating in performing a governmental function, is guilty of abuse of public trust when:

- (a) He or she obtains public money or property subject to a known legal obligation to make specified payment or other disposition, whether from the public money or property or its proceeds; and
- (b) He or she intentionally deals with the public money or property as his or her own and fails to make the required payment or disposition.

(2) A public servant is presumed:

- (a) To know any legal obligation relative to his or her criminal liability under this section; and
- (b) To have dealt with the public money or property as his or her own when:
  - 1. He or she fails to account upon lawful demand; or
  - 2. An audit reveals a shortage or falsification of accounts.

The former Sheriff had a shortage of \$82,332 in his fee account as of September 30, 2004, which is comprised of undeposited receipts, expenditures that exceeded the income of the office, and disallowed expenditures.

*Former Sheriff's Response:*

*None.*

CLINTON COUNTY  
 KAY RIDDLE, FORMER COUNTY SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Period January 1, 2004 Through September 30, 2004  
 (Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

4) The Former Sheriff Expended \$27,978 More To Operate His Office Than The Income Earned By The Office

The former Sheriff's office had total revenues of \$87,975 and allowable expenditures of \$115,953. Therefore, the former Sheriff used \$27,978 more to operate his office than the office earned during the period January 1, 2004 through September 30, 2004. The Clinton County Fiscal Court paid the former Sheriff's maximum annual salary earned for the period January 1, 2004 through September 30, 2004 directly to the former Sheriff from the Fiscal Court's budget. The former Sheriff should have only expended available revenues.

*Former Sheriff's Response:*

*None.*

5) The Former Sheriff Should Pay Excess Fees Of \$45,585 To The County Treasurer For Calendar Years 2000, 2001, 2002, And 2003

During calendar years 2000, 2001, 2002, and 2003 the former Sheriff's fee account had excess fees of \$6,907, \$13,612, \$21,684 and \$3,382, respectively. We recommend that the former Sheriff pay the County Treasurer total excess fees of \$45,585.

*Former Sheriff's Response:*

*None.*

6) The Former Sheriff Should Have Properly Reported Wages And Withholdings

Former Sheriff Kay Riddle failed to properly report wages and withholdings to the County Employees Retirement System, the Internal Revenue Service, the Kentucky Department of Revenue, and the Clinton County Occupational Tax Administrator.

a) Retirement

KRS 78.610 requires employees of a participating county to contribute 5% of his or her compensation to the County Employees Retirement System (CERS). The Sheriff reports retirement wages and withholdings to the Clinton County Treasurer. He also pays retirement withholdings to the County Treasurer.

The County Treasurer then reports and pays retirement to CERS. On March 22, 2001, the Clinton County Fiscal Court voted that "[r]etirement withholding check and information from sheriff to treasurer shall be submitted by the eighth of each month." However, for the period January 1, 2004 through September 30, 2004, retirement wages of \$5,902 were not reported to the County Treasurer. In addition, retirement information was not reported in a timely manner to the County Treasurer.

CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

6) The Former Sheriff Should Have Properly Reported Wages And Withholdings (Continued)

a) Retirement (Continued)

As of September 30, 2004, the former Clinton County Sheriff's office owed the County Treasurer \$10,739 for retirement withholdings and employer's share of retirement. This amount includes the following amounts: \$452 for 1997 fees, \$2,024 for 1998 fees, \$1,756 for 1999 fees, \$2,168 for 2000 fees, \$1,068 for 2001 fees, \$1,711 for 2002 fees, \$1,039 for 2003 fees, and \$521 for the period January 1, 2004 through September 30, 2004. In addition, as of September 30, 2004, the Clinton County Fiscal Court owed the balance of \$1,124 to the former Sheriff's office for overpayment of the employer's share of retirement for 1999 fees. The former Sheriff should have reported and paid employees' retirement wages and withholdings to the County Treasurer by the eighth of each month

b) Federal

26 USCA § 3402 states that “. . .every employer making payment of wages shall deduct and withhold upon such wages. . .” federal income taxes. In addition, 26 USCA § 3102 requires every employer to withhold FICA from wages. Every employer is required by federal law to file each quarter an Employer's Quarterly Federal Tax Return with the Internal Revenue Service (IRS). This return should include total wages for all employees, income tax withheld from all wages, and FICA withheld. The former Sheriff did not make any federal deposits on wages earned from January 2004 through June 2004 as required by federal law. In addition, Employer's Quarterly Federal Tax Returns were not filed timely for the period January 1, 2004 through September 30, 2004.

As of September 30, 2004, the former Clinton County Sheriff's office owed the Internal Revenue Service \$48,911 for federal withholdings, FICA withholdings, and employer's share of FICA. This amount includes the following amounts: \$20,881 for 2001 fees, \$16,422 for 2003 fees, and \$11,608 for the period January 1, 2004 through September 30, 2004. The former Sheriff should have properly reported all wages and withholdings to the IRS on the Employer's Quarterly Federal Tax Returns on a timely basis. The former Sheriff should have also made federal deposits on a timely basis.

c) State

KRS 141.310 states that “. . .every employer making payment of wages on or after January 1, 1971, shall deduct and withhold upon the wages. . .” state income taxes. KRS 141.330 requires every employer to file on or before the last day of the month following the close of each quarterly period a return reporting the tax withheld for that quarter. This return should include total wages for all employees and Kentucky income tax withheld. As of September 30, 2004, the former Clinton County Sheriff's office owes the Kentucky Department of Revenue \$6,681 for state withholdings. This amount includes the following amounts: \$144 for 2001 fees, \$37 for 2003 fees, and \$6,500 for the period January 1, 2004 through September 30, 2004. The former Sheriff should have accurately reported and paid all wages and state withholdings to the Kentucky Department of Revenue on a timely basis.

CLINTON COUNTY  
 KAY RIDDLE, FORMER COUNTY SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Period January 1, 2004 Through September 30, 2004  
 (Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

6) The Former Sheriff Should Have Properly Reported Wages And Withholdings (Continued)

d) County

Clinton County Fiscal Court Ordinance No. 1999-OLFTAX states that “. . .effective April 1, 1999 the THREE FOURTHS OF ONE PERCENT Occupational License Fee Ordinance 1999-OLFTAX applies to all individuals, employers, partnerships, corporations, and businesses in Clinton County.” This ordinance requires every employer to “. . .withhold THREE FOURTHS OF ONE PERCENT license fee from gross wages, salaries, and commissions paid to employees for services performed within Clinton County.” The employer is to file a return of occupational tax which reports license fees withheld from employees on a quarterly basis. This return should include total wages of all employees and license fees withheld. However, for the period January 1, 2004 through September 30, 2004, the former Sheriff did not report all wages to the Clinton County Occupational Tax Administrator.

As of September 30, 2004, the former Clinton County Sheriff’s office owes the Clinton County Occupational Tax Administrator \$1,046 for license fees withheld. This includes the following amounts: \$224 for 1999 fees, \$178 for 2000 fees, \$372 for 2001 fees, \$62 for 2003 fees, and \$210 for the period January 1, 2004 through September 30, 2004. The former Sheriff’s office should have reported and paid all wages and license fees withheld to the Clinton County Occupational Tax Administrator on a timely basis.

We are referring these matters to the County Employees Retirement System, the Internal Revenue Service, and the Kentucky Department of Revenue for further action.

*Former Sheriff’s Response:*

*None.*

7) The Former Sheriff’s Office Should Have Submitted A Report To The Fiscal Court For Reimbursement Of Employer’s Share Of FICA In A Timely Manner

OAG 68-51 opines that the fiscal court must pay the employer’s share of FICA contributions for the county sheriff’s deputies and assistants. On March 22, 2001, the Clinton County Fiscal Court voted “that information on the Sheriff payroll shall be provided to the county treasurer two days after payroll is issued. The County Treasurer shall issue a check to the Sheriff for Social Security and Medicare match one day after receiving information.” For the period January 1, 2004 through September 30, 2004, the former Sheriff did not submit any reports to fiscal court for reimbursement of employer’s share of FICA. The former Sheriff should have submitted a report to the Fiscal Court for reimbursement of employer’s share of FICA two days after payroll was issued.

*Former Sheriff’s Response:*

*None.*

CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

8) The Former Sheriff's Office Should Have Withheld Health Insurance Premiums From Employees' Wages

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In February 2003, the fiscal court voted to pay for a single health insurance plan for all county employees with the exception of \$40 per month, which should be withheld from the employee's payroll check. In our review of the payroll of the former Sheriff's office for the period January 1, 2004 through September 30, 2004, no deduction was made for employee's share of health insurance from employees' wages; however, the former Sheriff's office paid \$880 to the County Treasurer from the former Sheriff's fee account for the period January 1, 2004 through September 30, 2004. In accordance with KRS 61.405(2), the Sheriff's office may not purchase health insurance for its employees if the fiscal court, as of the last day of the fiscal year (i.e., June 30, 2004) is providing health insurance to the employees of the Sheriff's office, as county employees; therefore, health insurance premiums of \$880 have been disallowed as these premiums should have been withheld from his employees' wages for the period January 1, 2004 through September 30, 2004.

*Former Sheriff's Response:*

*None.*

9) The Former Sheriff Should Have Prepared An Annual Settlement

The former Sheriff did not make a complete settlement with the fiscal court as required by KRS 64.830(1). KRS 64.830(1) requires outgoing officials to "make a complete settlement of his accounts as a county official." The former Sheriff should have complied with this statute by preparing and filing an outgoing settlement within the proper time period.

*Former Sheriff's Response:*

*None.*

10) The Former Sheriff Should Have Obtained Reimbursement From State For Expenses In A Timely Manner

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The Sheriff is allowed to obtain reimbursement from the Commonwealth of Kentucky for certain expenses. Some of these expenses are waiting on the court, transporting prisoners, and return of fugitives. Former Sheriff Kay Riddle did not obtain reimbursement for these expenses for the period January 1, 2004 through September 30, 2004 until September 2004. The former Sheriff should have obtained reimbursement from the state for expenses in a timely manner.

*Former Sheriff's Response:*

*None.*



CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

11) The Former Sheriff Should Have Properly Remitted Carrying Concealed Deadly Weapon  
Permits

KRS 237.110(4) requires the Sheriff to collect a \$60 fee for each Carrying Concealed Deadly Weapon (CCDW) Permit. Former Sheriff Kay Riddle was required to submit \$40 of the \$60 collected to the Kentucky State Treasurer for the Department of State Police (\$20) and Administrative Office of the Courts (\$20). As of September 30, 2004, the former Clinton County Sheriff's office owed the Kentucky State Treasurer \$6,883 for CCDW license fees. This includes the following amounts: \$160 for calendar year 1998, \$640 for calendar year 1999, \$1,875 for calendar year 2000, \$1,115 for calendar year 2001, \$658 for calendar year 2002, \$955 for calendar year 2003, and \$1,480 for the period January 1, 2004 through September 30, 2004. The former Sheriff should have made proper payments to the Kentucky State Treasurer.

*Former Sheriff's Response:*

*None.*

12) The Former Sheriff Should Have Required Timesheets And Prepared Individual Earnings  
Records For All Employees

KRS 337.320 states, "[e]very employer shall keep a record of : (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; and (c) such information as the secretary requires." The former Sheriff did not comply with this statute. During the test of payroll, we observed no timesheets were being maintained. In addition, we were not provided with individual earnings records on all wages; therefore, we have estimated payroll expenditures using available information. The former Sheriff should have complied with KRS 337.320 by requiring time records and preparing individual earnings records for all wages.

*Former Sheriff's Response:*

*None.*

13) The Former Sheriff Should Have Prepared And Submitted Quarterly Financial Reports To  
Kentucky Governor's Office For Local Development

The Kentucky Governor's Office For Local Development (GOLD) Instructional Guide For County Budget Preparation and State Local Finance Officer Policy Manual requires all sheriffs to prepare quarterly financial reports and submit the reports "by the 30<sup>th</sup> day following the close of each quarter" to GOLD, Office of the Governor, Commonwealth of Kentucky. The former Sheriff's office did not prepare or submit any quarterly financial reports to GOLD for the period January 1, 2004 through September 30, 2004. The former Sheriff should have complied with GOLD requirements to prepare and submit quarterly financial reports for each quarter.

*Former Sheriff's Response:*

*None.*

CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)

FEDERAL/STATE LAWS AND REGULATIONS: (Continued)

14) The Former Sheriff Should Have Issued Pre-numbered Receipts On All Revenues Received

During our testing of revenues, we noted the former Sheriff did not issue pre-numbered receipts for all payments received from the State and some serving papers. The former Sheriff should have issued pre-numbered receipts for all revenues received by his office as required by KRS 64.840.

*Former Sheriff's Response:*

*None.*

15) The Former Sheriff Should Have Obtained Proper Bonds

KRS 134.250 states the sheriff shall obtain a bond in the minimum sum of ten thousand dollars (\$10,000) before he proceeds to collect the county levy and KRS 70.020 states the sheriff shall obtain a bond in the minimum sum of ten thousand dollars (\$10,000) for the faithful performance of the duties of his office. For the period January 1, 2004 through September 30, 2004, former Sheriff Kay Riddle was not bonded for the county levy or for the faithful performance of the duties of his office. The former Sheriff should have complied with statutes by obtaining proper bonds.

*Former Sheriff's Response:*

*None.*

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

16) The Former Sheriff's Office Lacked Adequate Segregation Of Duties

The former Sheriff's office had a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official had limited options for establishing an adequate segregation of duties. The former Sheriff could have implemented compensating controls to offset this internal control weakness.

*Former Sheriff's Response:*

*None.*

CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:  
(Continued)

17) The Former Sheriff Should Have Improved Internal Control Over Financial Reporting

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level the risk, that material errors in the financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. During the audit of the former Sheriff's office for the period January 1, 2004 through September 30, 2004, we noted the following:

- The former Sheriff did not issue pre-numbered receipts for all revenues received.
- The former Sheriff did not record all receipts on a daily checkout sheet nor were daily checkouts reconciled to bank deposits. In addition, receipts were not deposited intact daily nor were deposits not made timely.
- The former Sheriff did not properly reconcile the bank account.
- The former Sheriff did not have totals on the receipts and expenditures ledgers.
- Quarterly financial reports were not prepared or submitted to the Kentucky Governor's Office for Local Development.
- The former Sheriff did not request reimbursement for the employer's share of FICA in a timely manner.
- No time reports were maintained.
- The former Sheriff should have reviewed the definition of an employee.
- The former Sheriff should not have allowed advancements in payroll.
- Court costs collected for fiscal court were not paid to fiscal court on a monthly basis.
- The former Sheriff should have requested reimbursements from the state for expenses in a timely manner.
- Individual earnings records were not maintained for all wages.
- Employee's share of health insurance premiums was not withheld from employee's wages.
- Bonds were not obtained on former Sheriff.
- Only available revenues should have been expended.

The former Sheriff should have placed procedures in operation so that internal control over financial reporting was improved and accurate financial records were maintained.

*Former Sheriff's Response:*

*None.*

CLINTON COUNTY  
KAY RIDDLE, FORMER COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2004 Through September 30, 2004  
(Continued)

PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

In the prior year audit report, the following comments and recommendations were reported and not corrected:

- The Former Sheriff Has A Deficit Of \$23,522 In His Official Fee Account As Of December 31, 2003
- The Current Sheriff Should Deposit Money Received For Restitution In Escrow Account
- The Former Sheriff Should Not Have A Shortage In His 2003 Fee Account
- The Former Sheriff Should Pay Excess Fees Of \$45,585 To County Treasurer For Calendar Years 2000, 2001, 2002 And 2003
- The Former Sheriff Should Have Properly Reported Wages And Withholdings
- The Former Sheriff's Office Should Have Submitted A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner
- The Former Sheriff's Office Should Have Withheld Health Insurance Premiums From Employees' Wages
- The Former Sheriff Should Have Prepared An Annual Settlement
- The Former Sheriff Should Have Obtained Reimbursement From State For Expenses In Timely Manner
- The Former Sheriff Should Have Properly Remitted Carrying Concealed Deadly Weapon Permits
- The Former Sheriff Should Have Required Timesheets For All Employees
- The Former Sheriff Should Have Prepared And Submitted Quarterly Financial Reports To Kentucky Governor's Office For Local Development
- The Former Sheriff Should Have Issued Pre-numbered Receipts On All Revenues Received
- The Former Sheriff's Office Lacked Adequate Segregation Of Duties
- The Former Sheriff Should Have Improved Internal Control Over Financial Reporting

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Donnie McWhorter, Clinton County Judge/Executive  
Honorable Ricky Riddle, Clinton County Sheriff  
Honorable Kay Riddle, Former Clinton County Sheriff  
Members of the Clinton County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees – regulatory basis of the former Clinton County Sheriff for the period January 1, 2004 through September 30, 2004, and have issued our report thereon dated August 18, 2005. The former Sheriff's financial statement was prepared in accordance with a basis of accounting other than generally accepted accounting principles. The opinion was qualified because we were not provided with management representations and legal representations as required by auditing standards generally accepted in the United States of America. In addition, payroll expenditures have been estimated using available information because the former Sheriff's office did not provide us with individual earnings records or copies of some payroll reports. Except as discussed in the previous sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Clinton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The Former Sheriff's Office Lacked Adequate Segregation Of Duties
- The Former Sheriff Should Have Improved Internal Control Over Financial Reporting



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Clinton County Sheriff's financial statement for the period January 1, 2004 through September 30, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Former Sheriff Should Not Have A Deficit Of \$82,332 In His Official Fee Account As September 30, 2004
- The Current Sheriff Should Deposit Money Received For Restitution In Escrow Account
- The Former Sheriff Should Not Have A Shortage In His Fee Account For Period Of January 1, 2004 Through September 30, 2004
- The Former Sheriff Expended \$27,978 More To Operate His Office Than The Income Earned By The Office
- The Former Sheriff Should Pay Excess Fees Of \$45,585 To The County Treasurer For Calendar Years 2000, 2001, 2002 And 2003
- The Former Sheriff Should Have Properly Reported Wages And Withholdings
- The Former Sheriff's Office Should Have Submitted A Report To The Fiscal Court For Reimbursement Of Employer's Share Of FICA In A Timely Manner
- The Former Sheriff Should Have Withheld Health Insurance Premiums From Employees' Wages
- The Former Sheriff Should Have Prepared An Annual Settlement
- The Former Sheriff Should Have Obtained Reimbursement From State For Expenses In Timely Manner
- The Former Sheriff Should Have Properly Remitted Carrying Concealed Deadly Weapon Permits
- The Former Sheriff Should Have Required Timesheets And Prepared Individual Earnings Records For All Employees



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

- The Former Sheriff Should Have Prepared And Submitted Quarterly Financial Reports To Kentucky Governor's Office For Local Development
- The Former Sheriff Should Have Issued Pre-numbered Receipts On All Revenues Received
- The Former Sheriff Should Have Obtained Proper Bonds

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 18, 2005

